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**From:** Ramsay J (John)  
**Sent:** 14 September 2010 13:53  
**To:** Reeve W (Bill)  
**Cc:** Morrissey J (Jerry); Middleton DF (David); McLaughlin AC (Ainslie); Adamson L (Lucy)  
**Subject:** RE: Edinburgh Trams: Draft Report by Audit Scotland

Bill



10-09-14\_TS\_ETN\_  
Position\_State...

Audit Scotland accept the argument regarding the "ratification" point and their report has been amended to reflect this.

John Ramsay  
Project manager - Edinburgh Trams  
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**From:** Reeve W (Bill)  
**Sent:** 13 September 2010 17:15  
**To:** Ramsay J (John); McLaughlin AC (Ainslie); Middleton DF (David); Fairweather S (Sharon)  
**Cc:** Morrissey J (Jerry); Adamson L (Lucy)  
**Subject:** RE: Edinburgh Trams: Draft Report by Audit Scotland

I have now had the chance to read and consider the report. On the whole, it seems fine. A couple of sensitivities struck me :

"February 2009

Bilfinger Berger (BB) stopped working on Princess Street construction. This served to confirm that both tie ltd and its contractors had differing attitudes to the Infraco contract: Siemens and Bilfinger Berger did not agree the Infraco contract was fixed price.

Since this point ministers are frustrated and essentially wanting resolution to be found, as it would be difficult to walk away from the project at this stage. Trams project was ratified by Ministers as they saw value in the project. "

At what point did Ministers "ratify" the tram project ? I don't understand this reference.

"Latest projections by TS suggest that additional costs required to complete the project can be estimated as being up to £100m in excess of the £545m budget."

We should be clear that at no stage have we conducted any analysis in detail which could be said to be a "projection." We have had a sense of the likely outcome, informed by experience and our understanding of the contractor's view, as well as that of tie. In fact we would expect a figure well in excess of £100m extra to be possible for the whole of line 1a.

The second sensitivity I think we can handle in any subsequent questions. The first may be of more sensitivity to Ministers if we are seen to endorse or acquiesce with it.

John – can you explain the basis of the observation about Ministers ratifying the tram project, and do we have an opportunity to challenge this element ?

Regards,

Bill Reeve

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**From:** Ramsay J (John)  
**Sent:** 13 September 2010 12:33  
**To:** Reeve W (Bill); McLaughlin AC (Ainslie); Middleton DF (David); Fairweather S (Sharon)  
**Cc:** Morrissey J (Jerry); Adamson L (Lucy)  
**Subject:** Edinburgh Trams: Draft Report by Audit Scotland

<< File: 10-09-10\_FINAL TS\_ETN\_Position\_Statement.doc >>

As you know, following a series of recent press articles, and resultant political pressure, the Auditor General concluded that his position of not investigating an ongoing project engaged in both contractual and legal dispute was no longer sustainable. As a result, Audit Scotland agreed that a corporate approach utilising the knowledge of the local audit teams for Transport Scotland and City of Edinburgh Council and performance audit group should be used to assess the project situation. Accordingly I was invited last month to join a discussion with Mari-Anne Williamson and Bill Convery from Audit Scotland. In their invitation, Audit Scotland advised that their general aim was to gain an understanding of Transport Scotland's role in this project, from initial agreement by Ministers up to date.

The attached is a position statement which Audit Scotland has drawn up following their discussions with myself and CEC and which they intend to submit to their Performance Audit Group and Auditor General. This is described as a concise factual statement on the history of the project and the arrangements in place within Transport Scotland. However it also includes a degree of evaluation, which I am assured is Audit Scotland's assessment and opinion based on discussions both with myself and City of Edinburgh Council. Their initial draft has already been subject to a series of iterations, largely by me to correct factual inaccuracy but I also had to recommend a number of amendments to correct a measure of "opinion comment" which had crept in.

We are advised that once the Auditor General has received input from the City of Edinburgh Council audit team, the information will be considered in totality with a decision on any further work or formal reporting then being taken. At this time, I don't know what the timescale of this will be but the timing of the CEC report to full Council, due on 14 October should have some bearing.

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